

*Record
Reference*OLL 84-2701
26 July 1984

MEMORANDUM FOR: See Distribution

VIA: Chief, Liaison Division/OLL

FROM:

Liaison Division
Office of Legislative Liaison

STAT

SUBJECT: Deficit Reduction Act of 1984

1. The Deficit Reduction Act of 1984 was signed by the President on 18 July 1984. Attached for your information is a copy of selected pages from the Conference Report on H.R. 4170 from the 22 June Congressional Record. It will be weeks before the Agency will be able to obtain a copy of the specific document signed by the President; however, that document will show no substantive changes to what the House and Senate passed.

2. Of particular importance is page H6529, Title II, Civil Service and Military Retirement Programs. The Act

- 1) restores full cost-of-living (COLA) raises to all federal retirees beginning January, 1986; and,
- 2) eliminates the reduction in salaries that military retirees in federal jobs are subjected to each time they get a raise in military retirement pay (effective first pay period after enactment of this Act).

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Attachment:
as stated

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STAT

June 22, 1984

CONGRESSIONAL RECORD — HOUSE

H 6529

(5) removing economic disincentives to employment,

(6) excluding certain items, such as social security benefits, from gross income,

(7) equalizing the tax burden on taxpayers with equal ability to pay taxes, and

(8) achieving the appropriate burden of taxes for each income class of taxpayers.

Such study shall also identify the strengths and potential weaknesses of an alternative tax system and propose possible solutions for any such potential weakness.

(c) **ALTERNATIVE TAX SYSTEM.**—For purposes of this section, the term "alternative tax system" means a system based on—

(1) a simplified income tax based on gross income;

(2) a consumption tax;

(3) a consumption-based tax; or

(4) the broadening of the base and lowering of the rates of the current income tax.

(d) **STUDY OF TAX SHELTERS TO BE INCLUDED.**—The study conducted under subsection

(a) shall include a study of the entire area of tax shelters and how they impact on the equity of the tax system.

(e) **REPORTING DATE.**—The report of the study required by subsection (a) shall be submitted to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate not later than December 31, 1984.

SEC. 1802. STUDY OF TAXATION BY FOREIGN COUNTRIES ON SERVICES PERFORMED IN THE UNITED STATES

(a) **STUDY.**—The Secretary of the Treasury or his delegate shall conduct a study of the practices of foreign countries of taxing income on services performed within the United States, including, but not limited to—

(1) the status of treaty negotiations with such foreign countries with respect to such practices, and

(2) any options to alleviate the taxation of such income by more than 1 country without appropriate credit for taxes paid.

(b) **REPORT.**—The Secretary of the Treasury or his delegate shall report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives the results of the study conducted under subsection (a) no later than December 31, 1984.

DIVISION B—SPENDING REDUCTION ACT OF 1984

SEC. 3001. This Division may be cited as the "Spending Reduction Act of 1984".

TABLE OF CONTENTS

Title I. General provisions.
Title II. Civil Service and military retirement programs.
Title III. Medicare, Medicaid, and maternal and child health amendments.
Title IV. Small business programs.
Title V. Veterans' programs.
Title VI. OASDI, SSI, AFDC, and other programs.
Title VII. Competition in contracting.
Title VIII. Federal Credit Union Act Amendments.
Title IX. Miscellaneous provisions.

TITLE I—GENERAL PROVISIONS

SENSE OF SENATE STATEMENT

SEC. 2101. It is the sense of the Senate that ceilings on fiscal year 1985 appropriation bills shall not exceed, in the aggregate, \$139.8 billion for non-defense, discretionary accounts, and shall not exceed \$299 billion for defense accounts. Further, it is the sense of the Senate that the allocations of these sums, normally done through the section 302(b) process under the Congressional Budget and Impoundment Control Act of 1974, in the absence of a first concurrent budget resolution for fiscal year 1985 will be done by the Senate Appropriations Commit-

tee to guide its subcommittees in their separate deliberations on individual appropriation bills for fiscal year 1985.

SENSE OF HOUSE STATEMENT

SEC. 2102. (a) It is the sense of the House that in fiscal years 1985, 1986, and 1987, Federal deficits be reduced by \$182 billion as a result of the first concurrent resolution on the budget for fiscal year 1985 and the Deficit Reduction Act of 1984. Further, it is the sense of the House that these deficit reductions shall be divided among revenue increases, domestic spending reductions, and limits on the growth in military spending.

(b) It is the sense of the House that in the absence of agreement on a first concurrent resolution on the budget for fiscal year 1985 that the House will continue to abide by House Concurrent Resolution 280, as passed the House.

(c) It is the sense of the House that the Congress shall immediately adopt a conference report on the first concurrent resolution on the budget for fiscal year 1985 and that the Congress shall enforce the aggregate levels of revenue and spending provided in such resolution.

RESCISSION

SEC. 2103. Of the amounts provided in Public Law 96-126, the Department of the Interior and Related Agencies Appropriation Act, 1980, for the "Energy Security Reserve", \$2,000,000,000 are rescinded, of which \$1,154,950,000 is to be derived from the unused portion of the commitment of financial assistance previously awarded to The Oil Shale Company (Colony Shale Oil Project).

SEC. 3002. CIVIL SERVICE AND MILITARY RETIREMENT PROGRAMS

COST-OF-LIVING ADJUSTMENTS UNDER GOVERNMENT RETIREMENT SYSTEMS

SEC. 3201. (a) Notwithstanding any other provision of law, beginning with the monthly rate payable for December 1984, any annuity or retired or retirement pay payable under any retirement system for Government officers or employees which the President adjusts pursuant to section 8340(b) of title 5, United States Code, shall be paid no earlier than the first business day of the succeeding month.

(b) Section 8340(c)(1) of title 5, United States Code, is amended—

(1) in subparagraph (A), by striking out "computer" and inserting in lieu thereof "computed"; and

(2) in subparagraph (B), by striking out "counting" and inserting in lieu thereof "not to exceed 12 months, counting".

TECHNICAL AMENDMENT RELATING TO PREVAILING RATE EMPLOYEES

SEC. 2202. (a) Notwithstanding any other provision of law, effective as of October 1, 1983, any adjustment in a wage schedule or rate—

(1) that applies—

(A) to a prevailing rate employee described in section 5342(a)(2) of title 5, United States Code;

(B) to an employee covered by section 5348 of such title; or

(C) to any other employee subject to section 302(b)(1) of the Omnibus Budget Reconciliation Act of 1983 (Public Law 98-270; 98 Stat. 158);

(2) that results from a wage survey; and

(3) that first becomes effective during the fiscal year ending September 30, 1984; shall not take effect until the first day of the first applicable pay period beginning after the expiration of the 90-day period beginning on the date on which such adjustment would otherwise have taken effect.

(b) The Office of Personnel Management shall take such actions as may be necessary to carry out the provisions of this section.

Subsection (d) of section 301 of the Omnibus Budget Reconciliation Act of 1983 (96 Stat. 704; 5 U.S.C. 5532 note) is repealed, effective with respect to pay periods beginning after the date of enactment of this Act.

LEAVE FOR CERTAIN OVERSEAS EMPLOYEES

SEC. 2104. Subsection (a) of section 8 of the Defense Department Overseas Teachers Pay and Personnel Practices Act (73 Stat. 214; 20 U.S.C. 904(a)) is amended by striking out "except that—" and all that follows through the end of such subsection and inserting in lieu thereof "except that if the school year includes more than eight months, any such teacher who shall have served for the entire school year shall be entitled to ten days of cumulative leave with pay."

CIVIL SERVICE RETIREMENT DEPOSITS COVERING MILITARY SERVICE

SEC. 2205. The first sentence of section 306(g) of the Omnibus Budget Reconciliation Act of 1982 (5 U.S.C. 8331 note) is amended by striking out "October 1, 1983" and inserting in lieu thereof "October 1, 1985".

ELECTION OF RETIREMENT PLAN

SEC. 2206. (a) For the purposes of this section, the term "covered retirement system" shall have the same meaning as provided in section 203(a)(2) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 (Public Law 98-168; 97 Stat. 1107).

(b)(1) Any individual who was entitled to make an election under section 208(a) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 (97 Stat. 1111), but who did not make such an election, may make an election under such section not later than September 15, 1984.

(2)(A) Not later than September 15, 1984, any such individual who made an election under paragraph (1) of section 208(a) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 may—

(i) make any other election which such individual was entitled to make under such section before January 1, 1984; or

(ii) elect to become a participant in a covered retirement system (if such individual is otherwise eligible to participate in such system), subject to sections 201 through 207 of such Act.

(B) Not later than September 15, 1984, any such individual who made an election under paragraph (2) of section 208(a) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 may—

(i) make any other election which such individual was entitled to make under such section before January 1, 1984; or

(ii) elect to terminate participation in the covered retirement system with respect to which such individual made the election under such paragraph (2).

(3) An election under this subsection shall be made by a written application submitted to the official by whom the electing individual is paid.

(4) An election made as provided in this subsection shall take effect with respect to service performed on or after the first day of the first applicable pay period commencing after September 15, 1984.

(c)(1) Section 8342(a)(4) of title 5, United States Code, does not apply for the purpose of determining an entitlement to a refund under section 208(e) of the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 (97 Stat. 1111).

(2) Paragraph (1) shall take effect with respect to any election made under section 208(a) of such Act or this Act before, on, or after January 1, 1984.

(d) Nothing in this section or the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 affects any entitlement to benefits accrued under a covered retirement system before January 1, 1984, except to the extent that any amount refunded under section 208(c) of such Act is not redeposited in the applicable retirement fund.

SALARY ADJUSTMENTS FOR JUDGES

Sec. 2207. Effective on the first day of the first applicable pay period commencing on or after January 1, 1984, each rate of pay subject to adjustment by section 461 of title 28, United States Code, shall be increased by an amount, rounded to the nearest multiple of \$100 (or if midway between multiples of \$100, to the next higher multiple of \$100), equal to the overall percentage of the adjustment taking effect under section 5305 of title 5, United States Code, in the rates of pay under the General Schedule during fiscal year 1984.

RETIREMENT BENEFITS FOR NATIVES OF THE PRIBILOF ISLANDS

Sec. 2208. (a) Section 8332(b) of title 5, United States Code, is amended by striking out the period at the end of the second paragraph (13) and inserting in lieu thereof the following: ", and regardless of whether the Native who performs the service retires before, on, or after the effective date of this paragraph."

(b) Title II of Public Law 89-702, as amended by section 2 of Public Law 98-129, is amended by adding at the end thereof the following new section:

"Sec. 212. (a)(1) An annuity or survivor annuity based on the service of an employee or Member who performed service described in the second paragraph (13) of subsection (b) or subsection (1)(1)(C) of section 8332 of title 5, United States Code, as added by subsections (b) and (c), respectively, of section 209 of this Act, shall, upon application to the Office of Personnel Management, be recomputed in accordance with the second paragraph (13) of subsection (b) and subsection (1), respectively, of such section 8332, regardless of whether the employee or Member retires before, on, or after the effective date of this paragraph.

"(2) Any recomputation of annuity under paragraph (1) of this subsection shall apply with respect to months beginning more than 30 days after the date on which application for such recomputation is received by the Office."

(c) The amendments made by this section shall take effect as of October 14, 1983.

AMENDMENT TO OMNIBUS BUDGET RECONCILIATION ACT OF 1981

Sec. 2209. Section 1722 of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35; 95 Stat. 759) is amended by striking out "1984" and inserting in lieu thereof "1987".

TITLE III—MEDICARE, MEDICAID, AND MATERNAL AND CHILD HEALTH AMENDMENTS

SHORT TITLE OF TITLE

Sec. 2300. This title may be cited as the "Medicare and Medicaid Budget Reconciliation Amendments of 1984".

TABLE OF CONTENTS OF TITLE

Subtitle A—Medicare Amendments

PART I—REIMBURSEMENT AND BENEFIT CHANGES

- Sec. 2301. Modification of working aged provision.
- Sec. 2302. Part B premium.
- Sec. 2303. Payment for clinical diagnostic laboratory tests.
- Sec. 2304. Pacemaker reimbursement review and reform.
- Sec. 2305. Elimination of special payment provisions for preadmission diagnostic testing.
- Sec. 2306. Limitation on physician fee prevailing and customary charge levels; participating physician incentives.
- Sec. 2307. Payment for services of teaching physicians.
- Sec. 2308. Lesser of cost or charges.
- Sec. 2309. Study of medicare part B payments.
- Sec. 2310. Limitation on increase in hospital costs per case.
- Sec. 2311. Classification of certain rural hospitals.
- Sec. 2312. Payment for services of a nurse anesthetist.
- Sec. 2313. Prospective payment assessment commission.
- Sec. 2314. Revaluation of assets.
- Sec. 2315. Technical amendments relating to the DRG payment system.
- Sec. 2316. Prospective payment wage index.
- Sec. 2317. Deadline for report on including payment for physicians' services to hospital inpatients in DRG payment amounts.
- Sec. 2318. Emergency room services.
- Sec. 2319. Skilled nursing facility reimbursement.
- Sec. 2320. Payment for costs of hospital-based mobile intensive care units.
- Sec. 2321. Cost sharing for durable medical equipment furnished as a home health benefit.
- Sec. 2322. Services of a clinical psychologist provided to members of an HMO.
- Sec. 2323. Coverage of administration of hepatitis B vaccine.
- Sec. 2324. Coverage of hemophilia clotting factor.
- Sec. 2325. Payment for debridement of mycotic toenails.
- Sec. 2326. Contracts for medicare claims processing.

PART II—ADMINISTRATIVE AND MISCELLANEOUS CHANGES

- Sec. 2331. Repeal of exclusion of for-profit organizations from research and demonstration grants.
- Sec. 2332. Presidential appointment of and pay level for the administrator of the health care financing administration.
- Sec. 2333. Exclusion of certain entities owned or controlled by individuals convicted of medicare or medicaid-related crimes.
- Sec. 2334. Provider representation in peer review organizations.

Sec. 2335. Repeal of special tuberculosis treatment requirements under medicare and medicaid.

- Sec. 2336. Access to home health services.
 - Sec. 2337. Normalization of trust fund transfers.
 - Sec. 2338. Enrollment and premium penalty with respect to working aged provision.
 - Sec. 2339. Indirect payment of supplementary medical insurance benefits.
 - Sec. 2340. Certification of psychiatric hospitals.
 - Sec. 2341. Included podiatrists in definition of "physician" for outpatient physical therapy services and including podiatrists and dentists in definition of "physician" for outpatient ambulatory surgery.
 - Sec. 2342. Establishment by physical therapists of plans for physical therapy.
 - Sec. 2343. Hospice contracting for core services.
 - Sec. 2344. Medicare recovery against certain third parties.
 - Sec. 2345. Confidentiality of accreditation surveys.
 - Sec. 2346. Use of additional accrediting organizations under medicare.
 - Sec. 2347. Funding for PSRO review.
 - Sec. 2348. Payment for services following termination of participation agreements with home health agencies or hospice programs.
 - Sec. 2349. Elimination of health insurance benefits advisory council.
 - Sec. 2350. Health maintenance organizations and competitive medical plans.
 - Sec. 2351. Judicial review of provider reimbursement review board decisions.
 - Sec. 2352. Flexible sanctions for noncompliance with requirements for end stage renal disease facilities.
 - Sec. 2353. Payments to promote closure and conversion of underutilized hospital facilities.
 - Sec. 2354. Miscellaneous technical corrections relating to medicare.
 - Sec. 2355. Waivers for social health maintenance organizations.
- Subtitle B—Medicaid and Maternal and Child Health Amendments
- Sec. 2361. Medicaid coverage for payment women and children.
 - Sec. 2362. Clarification of medicaid entitlements for certain newborns.
 - Sec. 2363. Recertification of SNF and ICF patients.
 - Sec. 2364. Waiver of certain membership requirements for certain health maintenance organizations.
 - Sec. 2365. Increase in Medicaid ceiling amount for Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa.
 - Sec. 2366. Payment for psychiatric hospital services.
 - Sec. 2367. Mandatory assignment of rights of payment by medicaid recipients.
 - Sec. 2368. Requirements for medical review and independent professional review under medicaid.
 - Sec. 2369. Flexibility in setting payment rates for hospitals furnishing long-term care services under medicaid.
 - Sec. 2370. Authority of the Secretary to issue and enforce subpoenas under medicaid.
 - Sec. 2371. Medicaid clinic administration.
 - Sec. 2372. Increase in authorization for maternal and child health block grant.
 - Sec. 2373. Miscellaneous and technical amendments.